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UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEVADA

In re:
U.S.A. DAWGS, INC.,
Debtor.

Case No. 18-10453-LEB
Chapter 11

**SUPPLEMENTAL DECLARATION OF
RICHARD ELLIS IN SUPPORT OF
SECURED CREDITOR GEMCAP
LENDING I, LLC'S REPLY BRIEF IN
SUPPORT OF ITS MOTION TO DISMISS
OR APPOINT A TRUSTEE FOR BAD
FAITH OR, IN THE ALTERNATIVE,
MOTION FOR RELIEF FROM THE
AUTOMATIC STAY OR FOR
ABSTENTION**

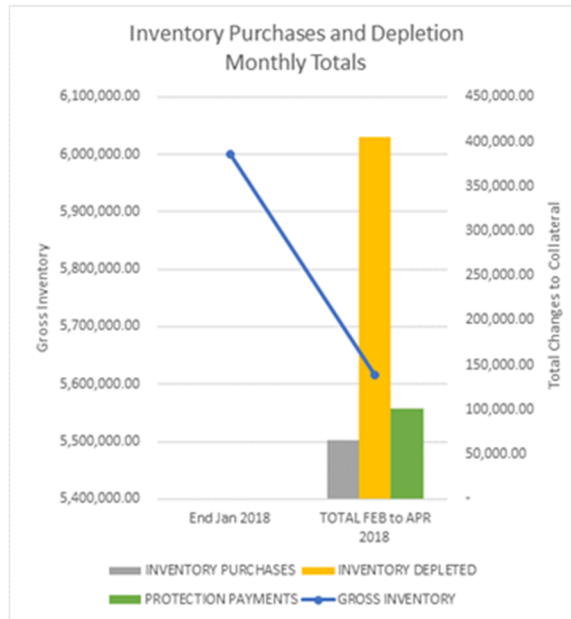
Date of Evidentiary Hearing: **May 10, 2018**
Time of Evidentiary Hearing: **9:30 a.m.**

I, Richard Ellis, declare that:

1. I am over the age of 18 and mentally competent. Except where stated on information and belief, I have personal knowledge of the facts in this matter, and if called upon to testify, could and would do so. I am the co-President of secured creditor GemCap Lending I, LLC ("GemCap").

2. I make this Supplemental Declaration in Support of GemCap's Reply Brief in support of its Motion to Dismiss or Appoint a Trustee for Bad Faith or, in the Alternative, Motion for Relief from the Automatic Stay or Abstention.

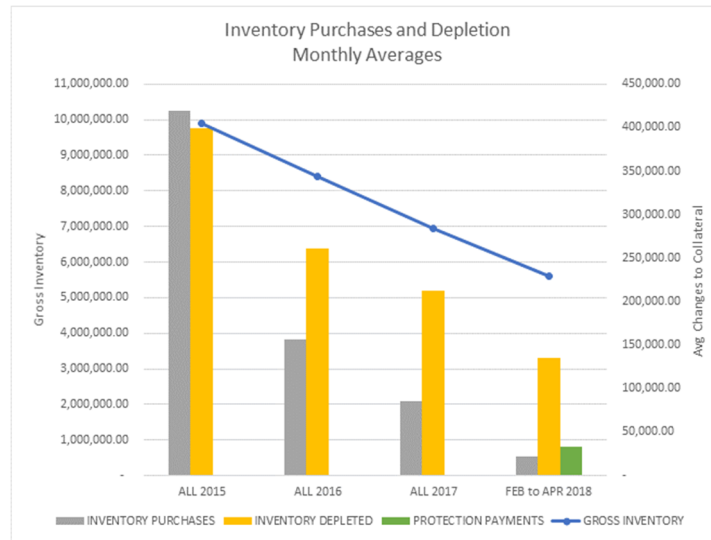
3. I have personally reviewed U.S.A. Dawgs, Inc.'s (the "Debtor") reports filed in this action, including its Monthly Operating Reports and Cash Collateral Reports (ECF Nos. 180, 234, 235, 250). From there, I assisted with the preparation of the following graph that summarizes the evidence of the Debtor's inventory purchases as measured against gross inventory, inventory depletion, and protection payments over the bankruptcy period (February – April 2018).



As the above graph shows, from February 2018 to April 2018, Debtor's inventory depleted by over \$400,000. During that period, Debtor purportedly replenished that inventory by only \$50,000 and had adequate protection payments made of only \$100,000. In other words, since the Petition Date of January 31, 2018, GemCap's cash collateral has demonstrably been depleted by an amount of \$400,000, while GemCap was only able to "recoup" \$100,000 in payments and \$50,000 "on paper" in purported inventory, resulting in a net loss of collateral at least \$250,000.


4. Next, we at GemCap became determined to gather historical information in order to evaluate the trend line of Debtor's inventory depletion as measured against the other criteria listed above. Using Debtor's own information provided in Borrowing Base Certificates that were furnished to GemCap as well as with the Court and in the bankruptcy case record, I assisted

in the preparation of the following graph showing the monthly averages (versus monthly totals in the prior graph), of the same measure of information.



As can be seen by the illustration above, Debtor's gross inventory has long been declining and so have its inventory purchases. That decline (or corresponding depletion number), as measured against the inventory purchase number, has only been accelerating. During the pendency of the bankruptcy case alone, Debtor's depletion in inventory has far surpassed its replenishment, thus causing significant injury to GemCap.

I declare under penalty of perjury under the law of the State of Nevada and the laws of the United States that the foregoing is true and correct and that this declaration was executed on the 3rd day of May, 2018 at Dallas, Texas.


Richard Ellis

CERTIFICATE OF SERVICE

I hereby certify that I am an employee of Holley Driggs Walch Fine Wray Puzey & Thompson, and that on the 3rd day of May 2018, I caused to be served a true and correct copy of SUPPLEMENTAL DECLARATION OF RICHARD ELLIS IN SUPPORT OF SECURED CREDITOR GEMCAP LENDING I, LLC'S REPLY BRIEF IN SUPPORT OF ITS MOTION TO DISMISS OR APPOINT A TRUSTEE FOR BAD FAITH OR, IN THE ALTERNATIVE, MOTION FOR RELIEF FROM THE AUTOMATIC STAY OR FOR ABSTENTION in the following manner:

☒ (ELECTRONIC SERVICE) Under Administrative Order 02-1 (Rev. 8-31-04) of the United States Bankruptcy Court for the District of Nevada, the above-referenced document was electronically filed on the date hereof and served through the Notice of Electronic Filing automatically generated by that Court's facilities.

☐ (UNITED STATES MAIL) By depositing a copy of the above-referenced document for mailing in the United States Mail, first class postage prepaid, at Las Vegas, Nevada, to the parties listed on the attached service list, at their last known mailing addresses, on the date above written.

☐ (OVERNIGHT COURIER) By depositing a true and correct copy of the above-referenced document for overnight delivery via Federal Express, at a collection facility maintained for such purpose, addressed to the parties on the attached service list, at their last known delivery address, on the date above written.

☐ (FACSIMILE) That I served a true and correct copy of the above-referenced document via facsimile, to the facsimile numbers indicated, to those persons listed on the attached service list, on the date above written.



An employee of Holley Driggs Walch
Fine Wray Puzey & Thompson